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COTTON TEXTILE ACCOUNTING MANUAL

UNDER ORDER M-385

July 1944

SPECIAL NOTE

This Manual is written in accordance with the provisions of Order M-385 issued as of July 27, 1944. The Order may be amended from time to time. In using this Manual, therefore, the reader should refer to the latest revision of the Order to insure his familiarity with its provisions.

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COTTON TEXTILE ACCOUNTING MANUAL UNDER ORDER M-385

INTRODUCTION

PURPOSE OF THE MANUAL

This Accounting Manual has been prepared to assist intermediate processors (converters) and processors (manufacturers) of products in which cotton textiles are incorporated operating under Order M-385 to keep the records required by this Order. The Manual describes the record-keeping responsibilities imposed by the Order and includes suggested record forms which may be used to meet these requirements.

PROVISIONS OF ORDER M-385

Order M-385 has been issued by the War Production Board to channel a minimum yardage of certain listed cotton textiles into the production of selected essential end-products (principally garments). The fabrics and end-products affected are listed in the Schedules attached to Supplements I and II of the Order.

A person who was a processor of listed items in the base period is authorized to assign a AA-4 preference rating in procuring a listed fabric from a jobber, converter or producer of colored yarn fabrics. He must also certify that the fabric is to be incorporated in a listed end-product.

Each converter of cotton fabrics is directed to set aside for AA-4 rated orders for each listed fabric at least the specified minimum percentage of the yardage represented by his purchase contracts placed for grey goods without the use of a preference rating. AA-4 preference ratings received by a converter may not be extended to grey goods mills.

Each colored yarn producer is directed to set aside for AA-4 rated orders for each listed fabric at least the specified minimum percentage of the unrated yardage he produces.

RECORD-KEEPING REQUIREMENTS OF THE ORDER

Under the provisions of Order M-385 converters must maintain records which will show the quantities of grey goods purchased without preference ratings, the quantities set aside for AA-4 rated orders, and the quantities sold against AA-4 rated orders. Manufacturers who use the preference rating assigned by the Order in purchasing cotton textiles must maintain records which will account for their use of the rating and for the production of end-items made from fabrics so purchased.

While the Order requires that converters and manufacturers keep records of the type outlined in the preceding paragraph, it does not require that the records be maintained in any specified way or on any specified forms. The forms

shown in this Manual are, therefore, presented only as suggestions and their use is not compulsory. Any other forms which meet the basic requirements of the Order may be used instead.

DESCRIPTION OF THE MANUAL

The Manual is divided into three parts. Part I describes the provisions of Order M-385, which cover the operations of a converter in obtaining grey goods for finishing and in selling the finished fabrics. It describes the information which must be made the subject of record in accordance with the stipulations of the Order. In Part II is also presented a suggested record-keeping form which may be used by a converter to meet the record-keeping responsibilities imposed on him by the Order.

Part II of the Manual is devoted to the record-keeping problems of the manufacturer of end-products in which cotton fabrics are incorporated. It describes the record-keeping responsibility placed on him by the Order. It also contains a suggested record-keeping form. The suggested form can be used by persons who do not have regularly established records covering their purchases of cotton cloth and their production of items made from such cloth. Manufacturers with established records of this type may find it desirable to use the suggested form as a supplementary record.

Part III of the Manual discusses other records required by the Order.

The Manual is devoted exclusively to the problems of records required by Order M-385. General and specific questions referring to the operation of the Order should be directed to the Textile, Clothing and Leather Bureau, War Production Board, Washington 25, D. C. In case of any inconsistency between this Manual and any WPB Order or Regulation governing the conversion of cotton cloth and the manufacture of end-products from cotton cloth, the provisions of the Order or Regulation shall govern. It is assumed that anyone consulting this Manual is familiar with WPB Orders and Regulations applicable to the finishing of cotton textiles and the manufacture of end-products made from cotton textiles.

PART I—CONVERTER'S RECORDS

DEFINITION

An intermediate processor is defined by Order M-385 as "any person who, in the United States, bleaches, dyes, prints or otherwise finishes textiles, or causes any of the foregoing to be done, and delivers or uses the textiles for his own account in the bleached or otherwise finished state." Such a person will be generally referred to in this Manual as a "converter." As so defined, the term

"converter" includes: (1) the operator of a finishing plant, who buys or receives for his own account grey goods or yarn dyed fabrics, finishes them in his own establishment, and sells the output; and (2) a person who buys or receives for his own account grey goods or yarn dyed fabrics and has them finished on contract in another establishment under independent ownership. The term is applicable equally to the finishing department of an integrated mill and to a manufacturer or a wholesale or retail establishment which buys grey goods or yarn dyed fabrics and directs their finishing on contract. Any person who performs the functions of a converter, regardless of his customary method of conducting his business, is regarded as a converter under the Order.

IMPORTANT PROVISIONS OF ORDER M-385 AS THEY AFFECT CONVERTERS

Order M-385, Supplement I, directs each converter to set aside for sale during each calendar quarter, for each construction listed in Column 1 of the Fabric Schedule attached to this Supplement, at least that percentage listed in Column 2 of his total purchases of grey goods on unrated orders (i. e., free goods). The set-aside yardage is to be sold by a converter only against orders bearing AA-4 preference ratings as assigned in Supplement II of the Order, or against orders for piece goods. AA-4 preference ratings served on a converter by his customers pursuant to the provisions of this Order may not be extended to producers of cotton fabrics in the grey (i. e., mills).

Orders for yardage to be sold as piece goods must bear a special certification, but they are not assigned the AA-4 rating by Order M-385. However, converters are directed to treat purchase orders and contracts bearing the piece-goods certification as AA-4 rated orders, unless they actually are rated higher. Hence, as used in this Manual, the term "AA-4 rated orders" includes piece-goods orders which are certified as required by Order M-385.

It should be noted that the yardage set-aside must be sold by the converter in each period only against AA-4 rated orders. For example, the set-aside percentage for 76/72 lawns, all weights, is 25 percent. This means that in any calendar quarter at least 25 percent of a converter's unrated purchases of 76/72 lawns must be set aside for and sold against AA-4 rated orders. This covers all purchase and sales contracts entered into during the quarter, irrespective of dates of receipt of grey goods or shipment of finished fabrics. The Order provides that the full amount of cotton fabric set aside in each calendar quarter must be sold in that quarter. An exception is made for set-aside yardage unsold

as of the last day of a quarter. This yardage can be sold within the following 10 days.

The set-aside percentages include "seconds" and apply to all finishes for each listed construction.

SUGGESTED RECORD-KEEPING FORM

Order M-385 directs converters to maintain accurate records of the following for each construction of fabric listed in Column 1 of the Fabric Schedule appended to Supplement I of the Order:

1. The yardage ordered or purchased without the use of a preference rating.

2. The yardage set aside for AA-4 rated orders.

3. The yardage of finished cloth (or grey goods equivalent thereof) sold against orders rated AA-4.

To aid converters to meet these record-keeping requirements, this Manual presents an accounting form which will satisfy the specific provisions of the Order. The appearance of the form in this Manual is not to be construed as meaning that this is an official form prescribed by the War Production Board.

The form suggested is shown below.

CONVERTERS' RECORD OF UNRATED YARDAGE PURCHASED, SET ASIDE, AND AA-4 RATED ORDERS ACCEPTED UNDER ORDER M-385

Description of fabric as listed in order M-385:			Period:			
Date of purchase or sale	Contract No. or sales ticket No.	Name of vendor or customer	Total no. of unrated grey yards purchased	Minimum set aside for AA-4 rated orders in grey yards percent	Sales against AA-4 orders	No. of finished yards sold
(a)	(b)	(c)	(d)	(e)	(f)	(g)

A separate card or sheet should be used for each fabric listed in Column 1 of the Fabric Schedule of Supplement I of Order M-385. All purchases and sales contracts entered into during a calendar quarter should be posted to the records established for that quarter irrespective of the quarter in which receipt of grey goods or delivery of finished goods may be scheduled.

The record may be maintained in terms of either grey yards or yards of finished fabric. Since a converter usually purchases grey yards and sells finished yards, it will be necessary to make the appropriate adjustments on the records for shrinkage and other losses in the finishing operation. The suggested form establishes the minimum set-aside quantities in grey yards. It provides for entering finished goods yards sold, which are translated into grey yards for control purposes.

As unrated purchase contracts are placed, the date, contract number and name of vendor are entered in columns (a), (b) and (c). The total number of yards of grey goods purchased is posted in column (d). The minimum yardage to be set aside for AA-4 rated orders is calculated and entered in column (e). The calculated minimum is derived by multiplying the total yardage purchased shown in column (d) by the set-aside percentage established for the fabric by the Order.

As sales are made, the date, sales ticket number and name of customer are entered in columns (a), (b) and (c). The yardage of finished goods sold is posted in column (g) and the equivalent yardage of grey goods, after allowance for anticipated finishing losses, is entered in column (f).

Columns (d), (e) and (f) should be totaled periodically. The total of column (e) will represent the set-aside percentage applied to the total of column (d) and will serve as a check on the accuracy of the individual calculations. A comparison of the total of column (f) and the total of column (e) will indicate to the converter his position in relation to the set-aside provision of the Order.

The suggested record-keeping form shown, with sample entries, is reproduced in Exhibit "A" of this Manual.

Proper use of the suggested form as a control record calls for periodic comparison of the totals in columns (e) and (f). The converter should conduct his operations so as to complete each calendar quarter with sales of each listed fabric against AA-4 rated orders at least equal to the yardage represented by the set-aside percentage. Any converter having a portion of his set-aside yardage unsold as of the last day of a calendar quarter is permitted to sell this yardage within ten days against AA-4 rated orders. Such sales should be charged against the set-aside of the previous quarter (i. e., the quarter in which the grey goods were purchased).

It is important to remember that the AA-4 quota does not establish a maximum which may be sold in this rating band. Any converter may sell against AA-4 rated orders a quantity greater than that established by the calculation, but he is not required to do so. It should also be noted that the set-aside percentages apply to the totality of operations for each calendar quarter. Therefore, the sale of each lot of goods does not have to be divided between AA-4 and unrated orders in the proportion indicated by the AA-4 set-aside percentage.

The suggested record will be particularly helpful to the converter who does not attempt to divide the sale of each lot of goods in this manner because he can determine his aggregate position at any time and guide his future operations accordingly.

BEGINNING OPERATION UNDER ORDER M-385

Since Order M-385 is effective as of August 1, 1944, the initial period of operation will cover the months of August and September. In establishing his records, therefore, the converter should treat the two month period as though it were in fact a calendar quarter. The Order also provides that the set-aside percentage must be applied to a converter's unrated yardage purchased prior to August 1, 1944, title to which passes to the converter on or after August 1. The effect of this provision of the Order is to include in the quantity subject to the set-aside for the August-September period all "free" goods purchased prior to August 1, which are not invoiced as of that date.

The converter should determine his position at the end of July by reviewing his outstanding contracts. For example, a converter's position on July 31, 1944 for a given fabric subject to a set-aside percentage of 25% might be as follows:

Grey yards	
"Free" grey goods purchased prior to August 1 and title not acquired...	280,000
"Free" grey goods on hand as of July 31 and not yet put into finishing...	20,000
"Free" grey goods in finishing process as of July 31, including finished goods not yet shipped.....	100,000

In the above example, the converter would be required to set aside for AA-4 rated orders 70,000 grey yards (25% of the 280,000 yards not invoiced as of July 31, 1944).

The first entries on the suggested record-keeping form should represent the quantities of "free" goods not invoiced on outstanding contracts as of July 31. The quantities to be set aside for AA-4 rated orders should be calculated from this yardage and entered in the record.

It is suggested that the converter then review his accepted unrated orders on hand for the listed fabrics calling for delivery after August 1, 1944, and point out to his customers that under the terms of the Order he must sell on AA-4 preference ratings stated percentages of his unrated yardage. As AA-4 ratings are received from his customers, entries should be made in the appropriate columns of the form. On the basis of this information, the converter will be able to determine his compliance with the set-aside provision.

If the converter is unable to obtain the necessary AA-4 preference ratings, he may be compelled to bring his position into the required balance by cancelling unrated orders and substituting AA-4 rated orders. Exception to the specified set-aside can be allowed only after appeal to the Textile, Clothing and Leather Bureau of the War Production Board for reasons specified in the Order or for exceptional or undue hardship as determined by the War Production Board.

rated orders, and (e) AA-4 rated orders accepted. The required information on shipments can be obtained from an analysis of sales invoices, since the Order specifically states that certification and rating must appear on each invoice. The converter or producer of colored yarn fabric may expand his present analysis of sales to develop this information, or it may be obtained by setting up an independent record. The information on AA-4 rated orders accepted can be obtained from column (g) of the form suggested in this Manual for converters.

PRODUCTION QUOTAS

A manufacturer using the preference rating assigned by Order M-385 is limited in the quantity of any item which

he may produce in a quarter. The limitation is set forth in Paragraph (b) (2) of the Order. Any manufacturer using the AA-4 rating may not produce more of any item (measured in dollars) in any calendar quarter than he produced in the corresponding quarter of either 1942 or 1943. This provision applies to the total production of any item manufactured, regardless of price. This provision applies to the manufacturer's entire production of the item even though some material is obtained without priority assistance.

Each manufacturer should examine his present rate of production and compare it with his production of the same item in the corresponding quarter of 1942

or 1943. If his anticipated quarterly production is likely to approximate his production of the same item in 1942 or 1943, he should establish a record of the total quantities which he is permitted to produce and the quantities actually put into production. It is recognized that some manufacturers may not have available records showing production by items in the years 1942 or 1943. In the event that such records are not available to the manufacturer, he should estimate the dollar value of each item produced in the base period. A record should be set up showing the base period quota. As items are entered into production, they should be deducted from the base period quota.

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